

DEPARTMENT OF STATE REVENUE

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ISSUE

Packaging and Wrapping Materials and Equipment.

Authority: IC 6-2.5-5-3, 5.1, 6; IC 6-2.5-5-9(d); 45 IAC 2.2-5-8(d); 45 IAC 2.2-5-16

IC 6-2.5-5-9. Wrapping material.

(d) Sales of wrapping material(s)... are exempt from the state gross retail tax if the person acquiring the material(s)... acquires them for use as nonreturnable packages for selling the contents that he adds. [1980]

45 IAC 2.2-5-8. Sales of manufacturing machinery, tools and equipment used in direct production...

(d) Pre-production and post-production activities. "Direct use in the production process" begins at the point of the first operation or activity constituting part of the integrated production process and ends at the point that the production has altered the item to its completed form, including packaging, if required. [1987]

I. PRODUCING AND SHIPPING A COMPLETED PRODUCT

A. Producing a Completed Product

1. Purchases of machinery, tools, equipment, and supplies directly used [FN 1] or consumed [FN 2] in producing a packaged completed product for sale to a final consumer are exempt from Sales Tax.

2. Purchases of materials, including packaging materials [FN 3], incorporated [FN 4] into a packaged completed product for sale to a final consumer are exempt from Sales Tax.

B. Shipping a Completed Product

1. Purchases of tangible personal property to be used as wrapping materials for a packaged completed product during shipment to any buyer are exempt from Sales Tax.

2. Purchases of machinery, tools, equipment, and supplies used or consumed in producing or applying wrapping materials to a packaged completed product are subject to Sales Tax.

II. DEFINITIONS

A. "Packaged completed product" is that tangible personal property which is the fundamental product available for sale to a final consumer and includes any required packaging materials.

B. "Packaging materials" includes those materials incorporated as a material part of a completed product, the application of which constitutes the final step in an integrated production process. The term does not include "wrapping materials".

C. "Wrapping materials" means materials used to enclose, surround, or contain a packaged completed product or products during shipping to any buyer providing such materials are not customarily returned by the buyer to the seller for reuse by the seller. The term does not include material used to protect the packaged completed product during storage unless the materials are subsequently sold.

D. "Final consumer" means the final purchaser (in a possible series of purchasers) who ultimately consumes or uses the product for its intended purpose. "Final consumer" does not include a person acting as a wholesaler, retailer, or in a similar capacity.

The seller is deemed to have sold a packaged completed product to a final consumer if the seller is required to collect Sales Tax from the buyer. If the seller secures from the buyer an Exemption Certificate, Form ST-105, indicating any reason except "Resale Only", the seller is deemed to have sold a packaged completed product to a final consumer.

[FN 1] IC 6-2.5-5-3(b) Manufacturing machinery, tools, and equipment...

[FN 2] IC 6-2.5-5-5.1(b) Consumed in direct production...

[FN 3] 45 IAC 2.2-5-8(d) Production process... including packaging...

[FN 4] IC 6-2.5-5-6 Incorporation as a material part...